

Keyport, New Jersey
October 9, 2003

Minutes of the Special Meeting of the Mayor and Council, Borough of Keyport held on the above date in the Keyport First Aid Building, 1927 Atlantic Street, Keyport, N.J. pursuant to the adoption of Resolution No. 306-03, in accordance with the Open Public Meetings Act. Notices were faxed to the Courier, Asbury Park Press, Independent and Two River Times and posted on the Bulletin Boards.

Mayor Merla called the meeting to order at 7:04 P.M. and read the Sunshine Law Notice.

ROLL CALL

On Roll Call the following were present: Councilmembers Atkins, Hyer, Stalter, Doyle, Green. Absent: Councilman Bergen (arrived 7:50 P.M.). Others present: Mr. Kain, Borough Attorney, Mr. Hillard, Borough Engineer's Office, Thomas Fallon, Chief Financial Officer, Gina Carle, Special Legal Counsel and Noreen White, Special Financial Counsel and Ed Rainer, Water Plant Operator.

HEARING

1. **The Borough of Keyport Providing for the Acquisition of the Borough of Keyport's Water and Wastewater Systems.**

Mayor Merla said this is a Hearing for the Water and Wastewater Systems. At the last meeting, people were rude and the Mayor asked that everyone conduct themselves in a professional manner.

At the last Special Meeting, Middlesex Water made a presentation on the Shoreland's proposal. Mike Walsh, Shorelands, gave a presentation with slides, charts and graphs. The Borough received a \$7 million bid. The Borough requested a 52% increase in the utility and a 64% increase in sewer which is necessitated by an on going system. The Borough has a \$1.1 million water/sewer debt and the bid will reduce the debt.

In 1926 Shorelands and Middlesex Water joined together and in 1990 they became a partnership with Manasquan Water. The Borough would receive a level of service with savings. In 2001, the Borough had to purchase 168.14 million gallons of water from Manasquan (it was our obligation); for a 5 month period (May to September) Keyport produced 84.691 million gallons of water for a total of 252.84 million gallons. This shows a 23% loss of water.

On October 1st, the Borough's system goes off line and relies on Shorelands. Their equipment and fleet response time is 45 minutes to an hour; they have a 24 hour a day manned facility. Shorelands has license distribution personnel who are certified and the Borough has a crew in case of emergency and Middlesex Water is a back up. Shorelands will install and repair pipe, repair the roads, paint the tanks every 10 years. The Treatment Plant is in Holmdel and there is another site. There are two power grids and one or the other is used. The draw treatment process is the same as Keyports. The facilities are well maintained. The water quality standards are through State and Federal entities. Over 6000 tests are conducted a year.

There are 8 licensed operators and they have SCADA computer equipment. Shorelands monitors Keyport's tanks and record the water levels, test the PH and Chlorine levels 24 hours per day.

Shorelands reads on a monthly basis and bills; Keyport reads quarterly and bills. They use handheld computers to read the meters from the outside. They are certified to test meters. Shorelands tests Keyport's meters. They have equipment in their cars to read maps and there are "tough books" available to the fire companies. With regard to customer services, there are two people who work 8 hours per day; they work on computers that have a 36 month history in them. After hours, there is an answering service. There are comparative charges: 5/8" is over \$27.54 a month for water based on 75,000 gallons per year, Shorelands cost is \$29.94 and Union Beach charges \$32.06. Shorelands customers pay less now then they did 10 years ago.

Shorelands bid vs. a 40% increase by Keyport would be as follows \$7.5 million minus \$1.1 million debt for a total of \$6.4 million; Shorelands will refinance the existing debt which resulted in a rate increase in the proposal.

With \$6.4 million debt and current water/sewer revenue. From year one there was \$796,000 (30%). There would be \$1 million per year invested in the system which totals a 67.4% increase over 7 years. All Shorelands deals with is water and they do it well.

Beverly Quikhauser, Walnut Street, asked what happens if there is a water main break, who repairs it? If it is during the day, Shorelands would and if it is in the evening, personnel would be called in to assess the situation. Katherine Humphries, Broadway, asked what makes up the sewer component; 30%. Sid Becnel, 22 Myrtle Avenue, asked if the tanks would be painted (like Cass Street). Mike Walsh of Shorelands said yes. Mayor Merla said there are two tanks; the one on Elizabeth Street would probably come down if Middlesex Water took over. Mr. Walsh said Shorelands does not need the plan either; it would be decommissioned.

There are 7 wells in Hazlet and Holmdel. It was asked if there would be a rate increase; Keyport said 40%. The 40% would be used for improvements to the systems, leak detection, new meters (theft and leaks), infrastructure. Shorelands has qualified people, but contractors would be brought in for major breaks.

Mr. Logan, 36 Walnut Street, asked if the money would be used to be put back into the system. Mayor Merla said the leak detection program would be done first to identify and fix the hot spots. He said the first he heard was 30%, but the ballot says 52.3% for water. A Bond Ordinance is needed to identify and fix problems. 40% is based on infiltration and treated by the BRSA. Mr. Logan said he would like Keyport to bear the burden in the beginning and keep the system. Mayor Merla said the Water and Sewer is high now; we need it and cannot do without it. If the Borough keeps the system, we would set rates and look at other options. The Mayor said in the beginning, the rates may be higher. In 1910, the Governing Body probably didn't think it was going to last. Mr. Logan said hot spots travel. The Mayor said Keyport is reconstructing streets and new water and sewer lines are being installed.

Helen Poling, Holmdel Resident, owns a home in Keyport and she said her BRSA bill is \$30-35 per month and the sewer is \$100.00 a quarter, flat fee; there is not much disparity. Mary Allen, 29 Maple Place, said she does not need filters for health reasons (Shorelands brochure). Mr. Walsh said esthetically it is not good, the water comes from old pipes or a hot water heater; Shorelands takes it out by flushing two times a year.

George Sappah, Supt of Public Works, asked if the sale goes through would the contract be voided? Mr. Walsh said no, the contract has 15 more years. Mr. Sappah asked what would happen to the property if Shorelands does not need the plant or the tank? This can be discussed. Keyport, Shorelands and other municipalities joined together to fight NJ American Water's increases. Mr. Sappah asked if there were plans for sewer? Mr. Walsh said Shorelands would assess both systems. The Mayor asked about the contract and if Keyport would be responsible if the system was sold? Mr. Walsh said it would be assigned.

Jack Jeandron, 80 Main Street, asked when the Borough is on Shorelands Water, what percentage of the water comes from wells and what percentage of the water comes from NJ American Water. Mr. Walsh said from December to March, NJ American provides the water. The rest of the portion is NJ Amercian surface and Shorelands wells. William Kerchner, 84 St. Peters Place, asked if for the next 15 years, residents would be paying twice; no. Dan Smith, 82 Second Street, said there are two towers and asked if one would be dismantled? He said there is also one plant and asked if that would be dismantled? Mr. Smith said he is more comfortable with keeping the system. Mr. Walsh said there is 33% produced through the plant 5 months per year and said the public must decide whether to invest the money in a plant that only works 5 months per year.

In 1983 there was a demand for a cut back. Mayor Merla said he does not agree 100% with the contract; Keyport would have been levied a fine so the Borough signed the agreement. It was asked when the contract expires could it be renegotiated? Shorelands has purchased water from Keyport. The Mayor said it was mandated that the Borough buy water 7 months a year.

If the Borough makes the investments, the DEP will decide. Evesham Township drilled water and Keyport's water was the best. Keyport has opposed the BRSA expansion and we have not exceeded 8 million gallons. The Borough has fought to be a voting member. It was asked if the Borough decides to be independent, would it run the plant 12 months a year. Mayor Merla said we could not run it 12 months; it could prevent future loss. In the 1960's, the Public Works Department had 20 men.

John Murphy, Kearney Street, said the companies are here to make a profit, Keyport would not.

Mr. Bergen arrived at 7:50 P.M.

Sid Becnel, Myrtle Avenue, asked what the State thinks of our situation? The Mayor said the Borough has a contract for 13 years and the DEP said we must purchase water 7 months per year; he did not think the figures would change. The Mayor said the Borough is not in a position to make a profit, it is in a position to balance the budget. According to the CFO's numbers, we may not need 40% or 20% in 5 years, if there is a big surplus (we do not have), we could balance the budget and make improvements. Mr. Becnel said Middlesex Water's offer is good; we could wait 13 years. The Mayor said a 2 year study was done to decide whether the Borough should manage the system or sell it. To have the plant managed would not be good because there is still a cost involved.

Mayor Merla said part of this process is to have a question on the ballot for the residents to vote whether the Borough should stay in the business or get out. Two bids were received for the sale of the Plant and 4 bids were received to manage the plant. Middlesex Water's percentages were based on the Board of Public Utility requirements. The bulk of the expense would be up front. Mr. Bergen said he has not seen any studies that analyzed the systems. There is a process to manage and a process to sell. There is a projected rate increase. New meters may increase the costs and then there is the leak detection. Mr. Bergen said the costs may stay the same.

There was a question about selling the system for \$7.5 million, where would the money go?. If the Borough retires the \$1.1 million water debt, then it would retire its current debt.

John Murphy said he has always received good service with Keyport. If the mains are the issues (100 years old) then they need maintenance right away; the meters could be off. The Mayor said the Borough has to look at the total loss; 23% now. Mr. Bergen said the meters slow down. The Mayor said there is a detailed study from a financial perspective. Mr. Bergen said the studies do not exist.

In the first year there would be a 30% increase. It was asked if Shorelands will contribute to upgrade the system. Mr. Walsh will invest capital dollars (\$1 million per year) in the Water/Sewer System to bring it up to standard. We will pay our fair share for the meters. Mr. Bergen said it is a bad deal at \$7 million. The Mayor said the Borough is paying Shorelands \$300,000-350,000 per year.

Mr. Murphy asked if there is a question on the ballot? The percentage is not what it is now (30%) plus 4% per year. Mr. Walsh said Keyport is at 40% and in 2011 it will be 20%, 2019 will be 15% and 2024 will be 10%. Mr. Bergen said 40% is based on the assumption it is a \$30 million investment. The BRSA's bill is due for flow adjustments. The Mayor said in 1990, Ordinance 16-90 was adopted for a rate of 200% and it has since been lowered to 160% in 1994 when the Borough looked at how it is billed and whether to raise the connection fees.

There was a question on whether there is a policy on not paying. Shorelands sends a delinquent notice after 15 days and makes a follow up telephone call 10 days after the notice is sent. Service is discontinued if a bill is delinquent over 60 days. It was asked what Keyport's procedure is. Mr. Sappah said a customer is red tagged after 10 days and service is discontinued. It was asked if the Seniors are paying bills. The Mayor said the Borough's collection eventually becomes 100%; yes there are some people who were shut off and other who were not.

Jennifer Henning, 102 Main Street, said she knows the water would be turned back on

(she has been to all of the meetings); nothing new is being presented. She said she is not sure there will be a savings with privatization.

The Borough residents will be paying the Middlesex rate increase to pay off their debt. There is a cost when a Bond is done or money is borrowed. Mr. Walsh said there is 5 cents on a dollar return on equity; the rest is scrutinized. Middlesex Water customers pay less today than they did 10 years ago. It is 92% for 492 utilities. Mr. Bergen said he was against the sale 10 years ago and felt a better analysis should be done on handling capital costs.

A resident said their water/sewer bill is \$100.00 per month. Mr. Walsh said there is savings on interest on \$6.4 million. The Mayor said \$7.5 million is not a lot of debt. The new Municipal Complex will cost \$4 million. Richard Wilson asked if the Borough had done anything in 20 years. Mayor Merla said the streets were done and water/sewer lines were replaced. There was a question about sump pumps. The Mayor said if the sump pumps are taken out there will be severe problems with water all over. Mr. Bergen said the Borough would handle the existing lots.

Ed Rainer, Licensed Water Plant Operator, said if the Borough keeps the plant and repair it, professionals would be needed to run the system. The Borough could spend \$1 million and not get the same result. It was asked how the \$7 million figure came about? Noreen White said there were companies interested in the purchase and the level of interest totaled \$7 million. Mr. Rainer said money should be spent on a terrorism assessment.

Mr. Doyle thanked everyone for their concerns and level of civility. He said he would look at this matter as a resident and business owner. He is willing to see if the infrastructure can be repaired, but we are looking at a significant increase.

Mr. Stalter thanked everyone and thanked Middlesex Water for a good presentation. He said he is confused by the percentage increase on the ballot; he does not want a 50% increase. The Borough knows what has to be done. We have to allow the public to have their say and allow them to learn about the systems. The Governing Body will do its best for the community.

Mr. Green said at the last meeting he was leaning towards the Borough keeping the systems. He said he listened to what was said and it does not make sense to sell. Public Works adds a personal touch and we must all come together to make a decision. A decision will be made on November 4th when the public votes on the ballot.

Mrs. Atkins thanked everyone and said based on what the residents decide with the ballot, we do not want to lose home rule.

Mr. Hyer said the Governing Body has put in a lot of time. Highland Park relined their pipes. Rate adjustments and connection fees were discussed. The process was followed so the public could voice their concerns. In 1960, the Public Works Department had 18 people and in 2000 there are only 8 or 9 people. The Borough should give the Public Works Department moral support and allow them to maintain the systems on their own.

Mr. Bergen said he is not clearly against the sale. About 3 or 4 years ago there was a lease management process and how to deal with costs. Mr. Bergen said he does not support the sale of the system; the Borough should get over the hurdle of next year.

Mayor Merla said in 1985 he was elected and by 1990 he said the Borough was told to cut back on the water (7 months off line and 5 months on). The Borough received support and Keyport fought as a community and got through it. In 1994, the Borough was advised the BRSA was in Phase IV (\$52 million); we are paying their debt. If the voters decide to keep the system, there are grants available.

Mayor Merla said it will be crunch time for a while. The rates are compatible. The Borough has to fix problems in the best interest of the residents. Highland Park has the same system as Keyport and they fixed and relined pipes. Hopefully the rates will stabilize at the end of the 13 years. The BRSA, he hopes they get more customers so the rates will be lower. The Borough got 90 years worth of service out of the lines. Matawan has lines that are 40 years old and they are replacing them. The Governing Body and the residents need to stand together, bi-partisan, on its decision. The word

needs to be spread. The Mayor said he appreciated everyone coming out this evening and reminded everyone that they have the right to vote – it is the Borough's system.

ADJOURNMENT

Motion to Adjourn moved by Mr. Bergen, second by Mr. Hyer with Ayes
by all present.

Time of Adjournment: 9:15 P.M.

Respectfully submitted,


Judith L. Poling, RMC/CMC
Borough Clerk


per Allyson M. Cinquegrana, RMC
Deputy Borough Clerk

